

**Governance and Performance of Third Sector Organisations:  
Credit Unions in Indonesia**

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### **Certificate of Authorship/Originality**

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

Signature of Student

A handwritten signature in black ink, appearing to read 'Maria Rosaline Nindita Radyati', with a stylized flourish at the end.

Maria Rosaline Nindita Radyati

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## Abbreviations

AD	Basic Organisation Constitution (Anggaran Dasar)
AMM	Annual Members Meeting
AMOS	Analysis of Moment Structures
ART	Operational Organisation Constitution (Anggaran Rumah Tangga)
BOA	Board of Advisors
BOM	Board of Management
BOS	Board of Supervisors
BPAT	Board Performance Assessment Tool
BSAQ	Board Self Assessment Questionnaire
CEO	Chief Executive Officer = Executive = Manager
CFI	Comparative Fit Index
CU	Credit Union
CUCO Indonesia	National Level of Credit Union in Indonesia (Induk Koperasi Kredit)
DAPERMA	Insurance and Charity Fund
FGD	Focus Group Discussion
GDP	Group Decision Process theory
ICA	International Co-operative Alliance
INKOPDIT	National Level of Credit Union in Indonesia (Induk Koperasi Kredit)
INKOWAN	National Level of Women Cooperative in Indonesia (Induk Koperasi Wanita)
LSM	Self-reliant organisation (one form of non-profit organisation)
KI	Key Informant
KPI	Key Performance Indicators
Kementrian KUKM	Ministry of Cooperatives and Small and Medium Enterprises
MOC	Ministry of Cooperatives
MSA	Measure of Sampling Adequacy
OC	Organisation Constitution = Articles of Association
PEARLS	Protection Ratios, Effectiveness Ratios, Asset Quality Ratios, Rates of Return and Cost Ratios, Liquidity Ratios, Signs of Growth Ratios
PO	Popular Organisations
PUSKOWAN	Secondary Level of Women Cooperative in Indonesia (Pusat Koperasi Wanita)
QPAT	Qualitative Performance Assessment Tool
RD	Resource Dependency theory
RMSEA	Root Mean Squared Error of Approximation
SEM	Structural Equation Modelling
SIO	Small and Informal Organisations
SOM	Standard Operation Management
SOP	Standard Operating Procedures
TOR	Term of Reference
TR CU	Tanggung-Rentang Credit Union (Mutual Liability CU)
TSOs	Third Sector Organisations
VMVO	Vision, Mission, Values, Objectives
WOCCU	World Council of Credit Union



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## Abstract

This research investigates governance discourse and its mechanism in Third Sector Organisations (TSOs) in Indonesia, which consist of *foundation (Yayasan)*; *association (Perkumpulan)*; *educational legal entity (Badan Hukum Pendidikan)*; *labour union (Serikat Buruh)*; *mass organisation (Organisasi Massa)* and *cooperative (Koperasi)*. The main reasons of the research are because TSOs' activists do not have clear understanding about governance and the knowledge about how to run the organisations which will lead to good governance is lacking. Another cause is there has been no such research in Indonesia. In particular my research covers Credit Unions (CUs), that comprised of Modern CU and Traditional Women Credit Union, namely Tanggung-Renteng CU (TRCU).

Since this is the first study, I employed multiple theoretical perspectives to observe the extent to which some relevant theories can explain governance mechanism in Indonesia TSOs. I used agency theory to find out how the board members ensure that executive's interests coalesce with the founders'; the costs for this activity; the relationship between board and executive; and the transparency system. Since Indonesia has collectivistic culture I employed stewardship theory to explain the board's role as partner with the executive. I drew on group decision process theory to explain the process of decision making. To elucidate how the organisation gets resources and whether it relies on board I employed resource dependency theory. Because Indonesia has strong cultural values, I observed how local wisdoms are applied in governance practices.

The sample of this thesis consists of TSOs and CUs. For TSOs, I did legal environment research; key informant survey; and organisation survey. For CUs, I carried out focus group discussions; financial performance analysis using PEARLS ratios; and questionnaire surveys to measure board performance and qualitative organisational performance. In addition I did statistical test to find out the relationship between board performance and organisational performance.

I found that there are four aspects regarding board in governance mechanism, to wit: its structure; roles and responsibilities; process; and relationship



with the executive. Another important aspect is that governance principles must be present in governance mechanism which at least should consist of accountability and transparency. Lastly I proposed a new model of governance that is “systemised culture model of governance”.